

CM
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

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Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING January 1, 2002 AND ENDING December 31, 2002
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Harrison Securities, Inc.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

6 Harbor Park Drive

(No. and Street)

Port Washington,

New York

11050

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Frederick Blumer

800-999-6567

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

George Brenner, CPA A Professional Corporation

(Name - if individual, state last, first, middle name)

10680 W. Pico Boulevard, Suite 260

Los Angeles, California

90064

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

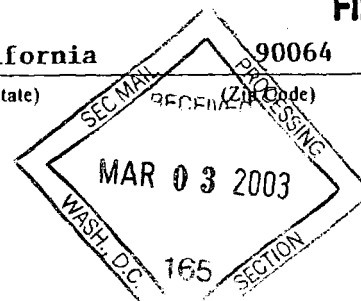
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OATH OR AFFIRMATION

I, Frederick Blumer, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Harrison Securities, Inc., as of December 31, 20 02, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

None

JOAN HULTS

Notary Public - State of New York

No. 01HU8070047

Qualified in Nassau County

My Commission Expires Mar. 18, 2006

FK Bl

Signature

CEO

Title

Joan Hults 2/27/03
Notary Public

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of **Cash Flows**.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☒ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C.

ANNUAL AUDIT REPORT

DATE - DECEMBER 31, 2002

HARRISON SECURITIES, INC.
6 HARBOR PARK DRIVE
PORT WASHINGTON, NY 11050

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George Brenner, CPA
A Professional Corporation
10680 W. PICO BOULEVARD, SUITE 260
LOS ANGELES, CALIFORNIA 90064
310/202-6445 – Fax 310/202-6494

REPORT OF INDEPENDENT ACCOUNTANT

Board of Directors
Harrison Securities, Inc.
Port Washington, New York

I have audited the accompanying statement of financial condition of Harrison Securities, Inc. (the Company) as of December 31, 2002 and related statements of operations, changes in shareholder's equity and cash flows for the year ended December 31, 2002. These financial statements are being filed pursuant to Rule 17a-5 of the Securities Exchange Act of 1934 and include the supplemental schedule of the net capital computation required by rule 15c3-1. These financial statements are the responsibility of Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, such financial statements referred to above present fairly, in all material respects, the financial condition of the Company as of December 31, 2002 and the results of its operations, stockholder's equity and cash flows for the year ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America.



George Brenner, C.P.A.

Los Angeles, California
February 28, 2003

HARRISON SECURITIES, INC.
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2002

ASSETS

Cash	\$ 529,002
Money market accounts – clearing broker	688,441
Accounts receivable – clearing broker	365,142
Clearing deposit	118,361
Securities	68,945
Accounts receivable - related company	--
Brokers' advances	1,227,900
Other assets	62,921
Accounts receivable – officer/shareholder	<u>85,000</u>
TOTAL ASSETS	<u>\$3,145,712</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

LIABILITIES

Clearance accounts - credit balance	\$ 517,689
Due to brokers	351,260
Accounts payable	36,000
Payroll taxes withheld	633,300
Accrued income taxes	(2,893)
Other	<u>9,018</u>

TOTAL LIABILITIES **1,544,374**

SHAREHOLDER'S EQUITY

Authorized 100,000 shares of common stock, issued and outstanding 100 shares at no par value	0
Paid-in capital	1,326,902
Retained earnings	<u>274,436</u>
SHAREHOLDER'S EQUITY	<u>1,601,338</u>

**TOTAL LIABILITIES AND
SHAREHOLDER'S EQUITY** **\$3,145,712**

See Accompanying Notes to Financial Statements

HARRISON SECURITIES, INC.
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2002

REVENUES	
Commission income	\$13,807,852
Postage and handling reimbursement	79,645
Margin interest - rebate	276,206
Interest and dividends	<u>19,554</u>
	14,183,257
 DIRECT COSTS – Page 9	 <u>9,465,340</u>
 GROSS PROFIT	 4,717,917
 OPERATING EXPENSES – Page 10	 <u>4,756,261</u>
 NET (LOSS) BEFORE TAXES	 (38,344)
 PROVISION FOR INCOME TAXES	 <u>500</u>
 NET (LOSS)	 <u><u>\$ (38,844)</u></u>

See Accompanying Notes to Financial Statements

HARRISON SECURITIES, INC.
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Paid-In Capital</u>	<u>Retained Earnings Deficit</u>	<u>Total</u>
Balance, January 1, 2002	\$1,276,902	\$ 313,280	\$1,590,182
Capital Contributed	50,000		50,000
Net Loss	<u> </u>	<u>(38,844)</u>	<u>(38,844)</u>
Balance, December 31, 2002	<u>\$1,326,902</u>	<u>\$ 274,436</u>	<u>\$1,601,338</u>

See Accompanying Notes to Financial Statements

HARRISON SECURITIES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2002
CASH FLOWS FROM OPERATING ACTIVITIES

Net Loss	\$(38,844)
Accounts Receivable – Clearing Broker	(365,142)
Changes in Operating Assets and Liabilities	
Clearing deposit	(11,040)
Brokers' advances	(241,355)
Clearance accounts	(536,404)
Accounts receivable - related company	296,541
Other assets	(12,492)
Accounts receivable – officer/shareholder	(85,000)
Accounts payable	12,722
Payroll taxes withheld	261,974
Income taxes	(127,189)
Clearance accounts - credit balance	202,122
Due to brokers	(171,599)
Other liabilities	<u>(16,694)</u>
Net cash provided (used) in operating activities	<u>(832,400)</u>
CASH FLOW FROM INVESTING ACTIVITIES	217,380
Securities	<u>--</u>
Total	<u>217,380</u>
CASH FLOW FROM FINANCING ACTIVITIES	
Officer/shareholder loan	(71,500)
Capital contributed	<u>50,000</u>
Total	<u>(21,500)</u>
NET DECREASE IN CASH	(636,520)
Cash: Beginning of period	<u>1,165,522</u>
Cash: End of the Year	<u>\$ 529,002</u>
<u>SUPPLEMENTAL CASH FLOW INFORMATION</u>	
Income taxes paid	<u>\$ 127,189</u>
Interest paid	<u>\$ 2,431</u>

See Accompanying Notes to Financial Statements

HARRISON SECURITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 1 - NATURE OF THE BUSINESS

Harrison Securities, Inc. (the Company), formerly D.L. Springate Securities, a sole proprietorship was incorporated in the State of California on April 27, 2000 and is registered as a broker-dealer in securities under the Securities Exchange Act of 1934. The Company, in connection with its activities as a broker-dealer, holds no funds or securities for customers. The Company executes and clears all of its transactions through a clearing broker on a fully disclosed basis and, accordingly, is exempt from the provisions of Rule 15c3-3 under Subparagraph (k)(2)(ii).

D.L. Springate, a sole proprietorship was incorporated by the sole proprietor as Harrison Securities, Inc. The former sole proprietor then sold all the stock to the new owner. The Company began business in Pasadena, California and moved to Port Washington, New York in June, 2001.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Revenue Recognition - The Company recognizes revenue on a trade date basis.

B) Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

C) Income Taxes - Income taxes are provided based on earnings reported for financial statement purposes. In accordance with FASB Statement No. 109, the asset and liability method requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between tax basis and financial reporting basis of assets and liabilities.

NOTE 3 - NET CAPITAL REQUIREMENTS

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities and Exchange Act of 1934, the Company is required to maintain a minimum net capital (\$5,000) or 6 2/3% of its liabilities whichever is higher. See page 11 for the computation of net capital.

HARRISON SECURITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 4 - INCOME TAXES

Because of the loss, there is no provision for income taxes. There is a minimum California state income tax of \$500. For tax purposes, the Company has elected to carry forward the current year's \$38,844 loss.

NOTE 5 - OFF BALANCE SHEET RISK

As discussed in Note 1, the customers' securities transactions are introduced on a fully-disclosed basis with its clearing broker. The clearing broker carries all of the accounts of the customers of the Company and is responsible for execution, collection and payment of funds, and receipt and delivery of securities relative to customers transactions. Off-balance sheet risk exists with respect to the transactions due to the possibility that customers may charge any losses it incurs to the Company. The Company seeks to minimize this risk through procedures designed to monitor the credit worthiness of its customers and to ensure that customer transactions are executed properly by the clearing broker.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

Leases – The Company has a 5-year lease with a 5-year renewable option. Future minimum lease payments are:

2003	\$ 600,000
2004	600,000
2005	600,000
2006	600,000
2007	<u>600,000</u>
	<u>\$3,000,000</u>

Contingencies – A characteristic of the brokerage business is that customers' complaints often end up in arbitration before the NASD. Counsel has been retained to represent the Company in arbitration.

At December 31, 2002 there were various arbitrations pending. Some of these matters were still in the discovery process or scheduled hearings yet to be held. Management believes the claims have no merit and any settlement will be nominal and only to dismiss the inconvenience.

George Brenner, CPA
A Professional Corporation
10680 W. PICO BOULEVARD, SUITE 260
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310/202-6445 – Fax 310/202-6494

INDEPENDENT AUDITOR'S REPORT
ON THE SCHEDULE OF DIRECT COSTS AND OPERATING EXPENSES

Board of Directors
Harrison Securities, Inc.
Port Washington, New York

My audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The attached schedules of direct costs and operating expenses for the year ended December 31, 2002 are presented for purposes of additional information and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.



George Brenner, CPA

Los Angeles, California
February 28, 2003

HARRISON SECURITIES, INC.
SCHEDULE OF DIRECT COSTS
FOR THE YEAR ENDED DECEMBER 31, 2002

DIRECT COSTS

Broker's Commissions	\$9,370,933
Clearing Fees	(257,451)
Registration Fees	167,402
Client Leads	115,741
Chargeoffs & Errors	<u>68,715</u>
	<u>\$9,465,340</u>

See Accompanying Notes to Financial Statements

HARRISON SECURITIES, INC.
SCHEDULE OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2002

OPERATING EXPENSES

Advertising	\$ 101,049
Automobile Expenses	136,018
Consulting fees	100,446
Contributions	1,183
Credit & Collections	2,139
Data Processing	146,078
Dues & Subscriptions	30,790
Entertainment & Promotion	10,398
Equipment Rental	41,671
Fees and Licenses	236
Gifts	7,200
Hospitalization	44,412
Interest and Bank Charges	2,431
Insurance	76,928
Office Supplies	139,832
Postage & Delivery	109,658
Professional Fees	219,823
Quote Systems	178,983
Rent	600,000
Repairs and Maintenance	109,718
Research	(10,343)
Retirement Plan Expense	500
Salaries	2,006,548
Security	47,163
Taxes	32,022
Telephone	438,873
Travel Expenses	90,670
Training and Courses	12,042
Utilities	<u>79,793</u>
Total	<u>\$4,756,261</u>

See Accompanying Notes to Financial Statements

HARRISON SECURITIES, INC..
COMPUTATION OF NET CAPITAL REQUIREMENTS PURSUANT
TO RULE 15c3-1
DECEMBER 31, 2002

COMPUTATION OF NET CAPITAL

Total ownership equity from statement of financial condition	\$1,601,338
Rounding	2
Nonallowable assets - page 12	(1,375,821)
Haircuts - page 12	<u>(26,419)</u>
NET CAPITAL	<u>\$ 199,100</u>

COMPUTATION OF NET CAPITAL REQUIREMENTS

Minimum net aggregate indebtedness- 6-2/3% of net aggregate indebtedness	\$ <u>102,958</u>
Minimum dollar net capital required	\$ <u>5,000</u>
Net Capital required (greater of above amounts)	\$ <u>102,958</u>
EXCESS CAPITAL	\$ <u>96,142</u>

Excess net capital at 1000% (net capital less 10% of aggregate indebtedness)	\$ <u>44,662</u>
--	------------------

COMPUTATION OF AGGREGATE INDEBTEDNESS

Total liabilities	\$1,544,375
Percentage of aggregate indebtedness to net capital	<u>776%</u>

The following is a reconciliation of the above net capital computation with the Company's corresponding unaudited computation pursuant to Rule 179-5(d)(4):

NONE REQUIRED

See Accompanying Notes to Financial Statements

HARRISON SECURITIES, INC.
NON-ALLOWABLE ASSETS
DECEMBER 31, 2002

NON-ALLOWABLE ASSETS

Accounts receivable – officer/shareholder	\$ 85,000
Brokers' advances	1,227,900
Other assets	<u>62,921</u>
	<u>\$1,375,821</u>

HAIRCUTS

Money Markets:	
\$803,845 @ 2%	\$ 16,077
Securities:	
\$68,945 @ 15%	<u>10,342</u>
	<u>\$ 26,419</u>

See Accompanying Notes to Financial Statements

PART II

HARRISON SECURITIES, INC.

STATEMENT OF INTERNAL CONTROL

DECEMBER 31, 2002

George Brenner, CPA
A Professional Corporation
10680 W. PICO BOULEVARD, SUITE 260
LOS ANGELES, CALIFORNIA 90064
310/202-6445 – Fax 310/202-6494

Report of Independent Account
on Internal Accounting Control Required by SEC Rule 17a-5

Board of Directors
Harrison Securities, Inc.
Port Washington, New York

In planning and performing my audit of the financial statements of Harrison Securities, Inc. (the "Company") for the period April 27 (date of inception) through December 31, 2002, I have considered its internal control structure, including procedures for safeguarding securities, in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements, and not to provide assurance on the internal control structure.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission, I have made a study of the practice and procedures (including tests of compliance with such practices and procedures) followed by the Company that I considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. I did not review the practices and procedures followed by the company: (1) in making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by Rule 17a-13; (2) in complying with the requirements for prompt payment for securities under section 8 of Regulation T of the Board of Governors of the Federal Reserve System; or (3) in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above mentioned objectives. Two of the objectives of an internal control structure and the practices procedures are to provide responsibility and safeguard against loss from unauthorized use or disposition, and that transactions are executed in accord to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use of disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Board of Directors
Harrison Securities, Inc.
Port Washington, New York

Rule 17a-5(g) lists additional objectives of the practice and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the degree of compliance with them may deteriorate.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under the standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relationship to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, I noted no matters involving the accounting system and control procedures that I consider to be material weaknesses as defined above. In addition, the Company was in compliance with the exemptive provisions of Rule 15c3-3 as of December 31, 2002 and no facts came to my attention indicating that such conditions had not been complied with during the year then ended.

I understand that the practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on my study, I believe that the Company's practices and procedures were adequate at December 31, 2002 to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, the national Association of Securities Dealers, Inc., and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934, and should not be used for any other purposes.



George Brenner, CPA

Los Angeles, California
February 28, 2003